



II OVERVIEW OF WORLD TRADE DEVELOPMENTS

World trade gained momentum towards the end of 2005, with the value of world merchandise exports rising by 13 per cent in 2005, compared to 21 per cent in 2004. For the first time, world merchandise exports exceeded the \$10 trillion mark.¹ Commercial services exports are estimated to have increased by 11 per cent at current prices to \$2.4 trillion in 2005 (19 per cent in 2004). It is worth noting this is the third consecutive year that commercial services exports expanded less rapidly than world merchandise exports.

Among the major geographic regions, Europe's trade performance was sluggish in 2005, reflecting the overall mediocre economic performance in that region. Export and import growth were the weakest of any region for both merchandises and services. Europe's growth in trade was also affected by exchange rate developments. Measured in euro terms, Europe's merchandise and commercial services exports expanded by 7.5 per cent in 2005, which is similar to that measured in dollar terms. However, annual percentage changes were higher in euro terms than in dollar terms for 2003 and 2004 (see Figure 2-1).²

Figure 2-1

Europe's Merchandise & Commercial Services Export Growth, 2003-2005



Source: WTO

At rates, respectively, of 12.0 and 10.0 per cent, the rise in North America's (Canada, Mexico and the U.S.) merchandise and services exports remained slightly below the global expansion rate. Over the last five

years, the growth of North America's merchandise and commercial services exports represented about 50 per cent of the average annual growth rate observed globally (10 per cent). North America's merchandise imports expanded by 6 per cent in 2005.

Benefiting from rising oil prices, regions such as Africa, the Middle East and Russia recorded strong merchandise export growth in 2005, ranging from 29 per cent to 36 per cent. Africa and the Middle East recorded their highest shares in world merchandise exports in two decades, owing to vibrant oil markets over the last two years.

Trade developments vary across sectors as well as amongst countries and regions. Weak and stagnating prices for food, agricultural raw materials and manufactured goods contrasted with sharply rising prices for metals and fuels. As a result, the share of fuels and other mining products in world merchandise trade rose to 16 per cent last year, the highest level since 1985. On the other hand, the share of agricultural products in world merchandise exports in 2005 decreased to a historic low of less than 9 per cent.

Within the manufacturing sector, iron and steel products and chemicals registered the largest export growth rates. Export growth rates in computers and other electronic products were comparable to those of manufactured goods in general. In other words, electronic products have not regained the dynamic role that they played in the expansion of trade in manufactures throughout the 1990s.³

As for commercial services categories (transportation, travel and other commercial services), expansion rates were rather similar in 2005, ranging from nearly 10 per cent for travel to 12 per cent for transportation services. It is noteworthy that India, China and Brazil registered the highest growth in commercial services exports in 2005, 76.0, 31.0 per cent and 28.0 per cent, respectively. India and Brazil recorded the highest growths (73.0 and 38.0 per cent) in commercial services imports as well.

¹ Numbers in this chapter are in U.S. dollars.

² The annual average of daily rates (noon), U.S. Federal Reserve Bank, was used to convert exports in dollars into exports in euros.

³ In the 1990s, the export value of electronic goods rose on average by 12 per cent or twice as fast as all other manufactured goods.